



AGENCY FOR INTERNATIONAL DEVELOPMENT  
UNITED STATES OF AMERICA A I D  
MISSION TO EL SALVADOR  
C/O AMERICAN EMBASSY  
SAN SALVADOR, EL SALVADOR, C A

PD-ABR-459

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ACTION MEMORANDUM TO THE MISSION DIRECTOR

FROM Deborah Kennedy-Iraheta, SO2 Team Leader *DKI*

SUBJECT Project Assistance Completion Report - American  
Institute for Free Labor Development (AIFLD)  
Activity No 519-0368-A-00-0243-00

DATE April 26, 1999

In accordance with ADS 203 (Managing for Results Monitoring and Evaluating Performance) and USAID/El Salvador policy (Mission Operation Manual, Chapters 680 and 770), attached is the Project Assistance Completion Report (PACR) for the American Institute for Free Labor Development (AIFLD) Activity No 519-0368-A-00-0243-00

The goal of this Activity was to strengthen democratic institutions and practices

The purpose of the Activity was to develop a strong and vigorous democratic labor movement and improve labor-management relations

The Activity consisted of four major components (a) Urban Unions, (2) Rural Unions, (3) Vocational Training, and (4) Administrative Support to AIFLD

The Activity terminated on March 31, 1998

The PACR summarizes the accomplishments of the Activity It includes Lessons Learned, Conclusions and Recommendations

Recommendation

That you approve the attached Project Assistance Completion Report

APPROVED

DISAPPROVED

DATE

*James M. Ellis*  
*3/1999*  
*June*

**PROJECT ASSISTANCE COMPLETION REPORT  
COOPERATIVE AGREEMENT No 519-0368-A-00-0243-00  
AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT (AIFLD)**

**I. SUMMARY OF THE PROJECT**

**A. Brief Project Description**

AIFLD has had a presence in El Salvador since the mid-1960s. Its original program focussed on developing the democratic urban trade unions through leadership training, small constituent service activities, and the formation of a national campesino organization, the Salvadoran Communal Union (UCS). The second phase increased emphasis on the rural sector and campesino organizations as a result of the Agrarian Reform. The third phase shifted activities back to the urban unions, where AIFLD expanded efforts to improve their negotiation capabilities, political awareness and vocational skills. Although AIFLD's programs served to increase the number of democratic labor unions, their programs met mixed results.

Until the middle of 1994, the AIFLD program in El Salvador focused on problems of campesinos and workers to develop representative unions, federations and centrals during the difficult period of transition to democracy in El Salvador. A program of financial and technical assistance was carried out with four rural organizations in the form of loan funds for agricultural projects that would not only be advantageous to the affiliates of the organizations, but to enable the organizations themselves to become self-sufficient. These loan activities were supported by a series of educational activities that re-enforced the financial assistance. A village bank program was begun that benefited approximately 3200 women.

In the urban sector most of the resources were directed at supporting the Unión Nacional Obrero Campesino (UNOC) and its various components. The UNOC was an umbrella organization composed of independent unions, federations and centrals that represented the political center during the problematic period of transition toward peace in El Salvador. The UNOC played an important role in the "intergremial" process, as well as in the "foro económico," the tripartite commission that came out of the signing of the peace accords. This tripartite commission was given the job of discussing the causes of the armed conflict that had torn the country apart and suggested solutions to prevent renewed polarization and violent conflict. The actual work of the "Foro" fell far short of its stated goal as well as the expectations of labor. The focus of the commission was changed, at the insistence of the business sector and government, to deal exclusively with labor code reform. As soon as the reforms were somewhat established, the "Foro" closed down for the period of the election through May of 1994.

As soon as the election was completed and the new administration was installed, the "Foro" was replaced by the "Consejo Superior de Trabajo" (CST), which was created by the revised labor code as a tripartite commission to discuss labor problems. Participation in the CST was limited by law to organizations that were legally registered with the Ministry of Labor. This prevented many of the labor organizations that had participated in the "Foro," including the UNOC, from participating in the CST.

The UNOC also supplied legal and technical assistance to the labor members of the National Assembly during the revision of the new labor code, and for some time afterward in an effort to get beneficial legislation passed. Through the UNOC and working directly with independent organizations, AIFLD supported an educational and activist program to continue to develop the labor movement. The education program was revised, and AIFLD began to focus its programs to not only educate existing members, but to attract new members as well. Training of mid-level leaders of unions, federations and confederations was begun. This specialized training was directed at unifying the labor movement through the formation of a single central. Besides the mid-level training, special programs were planned and carried out addressing the needs of the movement in responding to policy positions of the GOES, as they affected the workers of El Salvador.

The UNOC had accomplished its role and there was a need to move on and re-focus the priorities of the project. Given the changes in the social-political situation in the country and the needs of the labor movement, AIFLD reduced its work in the rural sector to a bare minimum, and concentrated its work on the urban labor movement. Members of the UNOC saw the need for the creation of a unified confederation, legally recognized, and able to participate in the forums that would be shaping the nation. It was decided to attempt the consolidation of UNOC members plus other non-UNOC organizations into the Democratic Workers Center (CTD). The CTD was chosen as the mechanism to creating a single central because it held the affiliation to the Inter-American Regional Organization of Workers (ORIT) and the International Confederation of Free Trade Unions (ICFTU).

In December 1994, the new CTD was formed with a provisional executive board. The consolidating organization needed to reform their by-laws and restructure the various unions into at least three federations, in order to legalize the CTD as a confederation, and hence open the door to much greater political participation. AIFLD was assisting in this process. By January 1995, the first new federation was successfully formed, the Federación Unión General de Trabajadores Salvadoreños (FUGTS).

Unfortunately, major disagreements developed within the various leaders now "unified" into the CTD, and by late 1995, the momentum waned. In early 1996, the project collapsed, with the total break up of the central, leaving the CTD a virtual shell, and seeing the rest of the union splitting off into various organizations. One organization, the Confederación Nacional de Trabajadores Salvadoreños (CNTS) managed to pull together a good number of the organizations. By mid 1996, the CNTS was able to consolidate three federations, legalize them, and legalize itself as a Confederation. While this represented an important advance, the labor movement remained extremely atomized, politicized, and far from able to formulate a united platform in defense of workers' interests. Up until September of 1997, AIFLD focused its support on consolidating the CNTS with economic and educational support for administration and organizing.

In the first half of 1997, the four AFL-CIO institutes for Asia, Europe, Africa and the Americas were reorganized and consolidated into a single organization called the American Center for International Labor Solidarity (Solidarity Center). Since September 1997, the Solidarity Center in El Salvador (formally AIFLD) focused its program work on education and promotion of worker rights through a wider range of organizations, including organizations that had previously not had contact with AIFLD. Programs were, for the most part, channeled through affiliates rather than union centrals or confederations, and direct economic support for the daily administration of centrals was terminated.

## **B. Goal and Purpose of the Project**

The **goal** of this Agreement was to strengthen democratic institutions and practices. The **purpose** of the Agreement was to develop a strong and vigorous democratic labor movement and improve labor-management relations. The AIFLD project sought to strengthen and develop democratic trade union organizations through financial and technical support in training, administration and organizing. The project sought to develop institutions that aggressively defended the rights of workers, organized and unorganized, and be able to participate with government and the private sector in the social and economic development of El Salvador.

## **C. Project Components**

Given that the project proceeded over an eight year period, and that in that period conditions and needs in

El Salvador had changed, the structure of the project also changed over its course. As described in the previous section, for the first four years of the project, one could think of the project as having two basic components - an "urban union" component and a "rural cooperative" component. In both, the focus of AIFLD work was education and skills development. After the transition to peace, the program was restructured to focus more on urban union development, emphasizing unity, skills development, institutional development, and expansion of membership.

#### D Present Status of the Project

Since the recent reorganization of AIFLD and the other institutes into the Solidarity Center, the focus on the urban labor sector has continued, with a shift away from supporting Centrals and Confederations to supporting development through programs at the level of affiliates and the base. The project is focusing primarily on skills development in membership expansion, defense of worker rights, transition to the private sector, and engaging and participating in the broader community and civil society.

## II. FINANCIAL STATUS

A The following table summarizes obligations and disbursements under the subject Cooperative Agreement No 519-0368-A-00-0243-00 with AIFLD

<u>ELEMENT</u>	<u>TOTAL AMOUNT AUTHORIZED*</u>	<u>AIFLD's EXPENDITURES</u> (As of 03/31/98)**	<u>REMAINING BALANCE</u>
1 Urban Sector	\$ 2,328,522	\$ 2,328,522 00	\$ 0 00
2 Rural Sector	1,773,668	1,773,668 00	0 00
3 Vocational Training	2,917,572	2,917,572 00	0 00
4 Salvadoran Fund	738,381	738,381 00	0 00
5 Staff and Admin	6,038,780	6,038,780 00	0 00
6 Audits	285,000	221 928 00	63 072 00
7 Overhead	3,718,077	3,607,582 00	110,495 00
8 Evaluation	0	0 00	0 00
Totals	\$17,800,000	\$17,626,433 00	\$173,567 00

\* According to Amendment No 21 dated June 28, 1997

\*\* As per Mission's financial report dated April, 30, 1999

SO2 is currently working in the close-out process of the subject Cooperative Agreement with AIFLD. The final financial figures of the subject Agreement will be available once we receive the final Advice of Charge (AOC) from AID/Washington.

However, and based on Mr Leonie Raelina's e-mail sent to Mrs Ingrid de Lacayo, CONT/El Salvador, on April 27, 1999, it is expected that the total amount obligated under this Agreement Has been spent given that AID/Washington will process the AIFLD's final voucher up to the maximum available under LOC (please see Attachment #1)

On the other hand, the 25% of non-USAID contribution required under Section 110 of the FAA, "Cost-Sharing and Funding Limits", for this PVO OPG Project was waived through Action Memorandum to the Director dated May 31, 1990

### III. PROJECT ACCOMPLISHMENTS

The accomplishments of the project reflect the evolving objectives of AIFLD and the Mission in accordance with changes in the Salvadoran political and economic environment. The project's accomplishments may be divided into three principal categories. First is the technical administrative assistance to independent unions and cooperative associations. Some of these activities predate the Agreement, extending back into the 1970s. During the period of civil conflict, these activities were prioritized to maintain a labor movement free of communist influence. In the postwar period, the focus of this assistance shifted to labor law reform and the creation of an institutional and political environment favorable to collective bargaining. Efforts have also been made to develop unions as more effective civil society actors in coalitions with other non-governmental organizations. In the last two years of the Agreement the focus has been on assisting public sector unions to cope with the privatization process and protecting the rights of mostly women workers in export processing zones. Support for rural cooperative associations and programs such as village banks and medical assistance was de-emphasized after 1994. In addition, AIFLD conducted specialized vocational training programs, these too were reduced in the postwar period.

#### TECHNICAL AND ADMINISTRATIVE ASSISTANCE

During the civil war (up to the signing of the peace accords in January 1992), AIFLD technical and administrative assistance was instrumental in creating and maintaining labor and rural cooperative organizations that were independent in the political left. As described in the Mid-term Evaluation of this Agreement (pp 23-24), the maintenance of independent organizations was considered to be an end in itself. During this period, AIFLD was successful in maintaining a network of independent organizations, under the umbrella of UNOC.

In the immediate postwar period, the goal of maintaining independent organizations continued, but with a new emphasis on creating an enabling environment for collective bargaining by independent unions. Because large sectors of the business community were opposed to any kind of worker organization, AIFLD had to provide support in various forms, including legal assistance for the formation of unions, legal and economic analyses for UNOC leaders who had been elected to the legislature, and support for documentation of worker rights violations.

The focus of these activities was a series of tripartite political negotiations that led ultimately to the reform of the existing labor code in 1994. UNOC's technical team, comprising two lawyers and an economist, played a key role in the tripartite Economic and Social Forum, drafting the 1993 Agreement of Principles and Commitments that laid groundwork for the 1994 labor law reform.

Unfortunately the spirit of compromise embodied in the negotiation of the reforms to the labor code did not persist once the code was enacted. Instead, the Salvadoran economy entered a period of rapid transition characterized by the growth of the export assembly (maquiladora) industries and the contraction of the public sector. The focus of AIFLD's support for the CTD (successor to UNOC) accordingly shifted to defense of fundamental worker rights in the expanding maquiladora sector, and assistance to public sector unions that were attempting to redefine their roles in the face of privatization. During this period AIFLD assisted the CTD to form a number of new federations (FUGTS, FESTRAES, FETCIES) and continued to provide legal assistance for maquila workers fired as a result of union organizing campaigns. These efforts have been continued with the CNTS and broadened to include other unions working in the export processing zones. At the same time, AIFLD provided basic trade union education to maquila workers, most of whom had no previous exposure to trade unions, and sought to educate the labor movement about new tactics, such as codes of conduct and independent monitoring, which began to appear at this time. In the first quarter of 1998, the Solidarity Center organized a conference on independent monitoring and codes of conduct. AIFLD and the Solidarity Center also developed a data base on the maquila industry for use in worker education projects. With respect to privatization, AIFLD supported an initiative to create a worker-managed Pension Fund Administrator under the new pension law, and assisted workers in the telecommunications sector who were seeking a negotiated outcome for the privatization process in their industry.

Technical assistance to rural organizations, which had been the largest components of AIFLD assistance before and during the war, declined thereafter. The Village Bank program, which

benefitted 3,200 campesinos in 1994 alone, became self-sufficient using proceeds from prior loans. The Mobile Clinic program provided medical training and assistance to 1900 agricultural workers through 47 health training courses before it was discontinued. AIFLD also supported a pesticide management training project and a program to support agricultural exports. Even after these programs were discontinued, AIFLD continued an extensive program of training for both urban and rural worker organizations, especially in the areas relating to land reform.

Throughout the period of the Agreement, AIFLD undertook a number of initiatives to promote labor-management cooperation. In addition to the tripartite negotiation of labor code reforms, the most significant endeavor in this area was the Fundación Obrero Empresarial Salvadoreña (FOES), a joint labor-management foundation established under the AIFLD Cooperative Agreement to promote labor-management dialogue and provide institutional support to rural and urban worker organizations. In addition, AIFLD supported training programs on industrial relations with the Federal Mediation and Conciliation Service (FMCS).

A final area where AIFLD made significant contributions is vocational education. The Instituto Obrero-Empresarial de la Construcción (IOPIC), a training institution for the construction trades established by the International Masonry Institute/International Union of Bricklayers, was supported by AIFLD from 1988 to 1996. During the period of the agreement, IOPIC graduated 2,000 skilled carpenters, bricklayers, painters, plumbers, and electricians, most of whom found well-paying employment in the unionized construction sector.

#### **IV. EVALUATIONS AND AUDITS**

##### **A. Evaluations**

In June 1993, a Mid-Term Evaluation was carried out by Checchi and Company Consulting, Inc. That evaluation was carried out through the collection of data from AIFLD records, AIFLD personnel, project participants, and knowledgeable observers. Its major findings and conclusions were: a) with the end of the civil war, the leftist threat to democratic trade unionism was diminished. Collective bargaining agreements should have been first priority, working with UNOC to identify unions and industries, which were promising candidates for collective bargaining; b) inter-organization differences were a barrier to centralized union-cooperative training. Cooperative administration courses played an important role in helping cooperatives become viable agribusiness operations; c) AIFLD client union federations received less administrative support,



and rural organizations were using village banks and agribusiness initiatives to attain self-sufficiency, and d) UNOC's credibility within the democratic labor movement and its policy formulation and presentation of democratic labor's positions on national issues were strengthened through the project. The key was the technical team (1 economist and 2 lawyers), who played a crucial role in strengthening the Inter-Union organization (under UNOC leadership) and the post-civil war labor-government-management forum.

## **B. Audits**

Based on the Cooperative Agreement, several one-year financial reviews in the form of audits of the AIFLD/ES Project were carried out. The final audit of the subject Project has been completed, and USAID/El Salvador is waiting for a copy of the final audit report which will determine if the AIFLD's income and expenditures statements and cash flows for the subject period complied with applicable OMB Circulars.

## **V SUMMARY OF LESSONS LEARNED FOR THE PROJECT**

Perhaps the fundamental lesson of this project is that it is far more difficult to create a democratic labor culture - one characterized by mutual respect for rule of law, including fundamental rights of freedom of association and collective bargaining - than it is to sustain independent unions as political actors. Thus, while the project was successful at maintaining independent labor organizations during the war, this success made the transition to peacetime tripartism somewhat more difficult. Again, the emphasis in the immediate postwar period on tripartite legal reforms at the national level has complicated the shift to the present period, which is dominated by global economic forces that require labor to negotiate and operate on solid economic footing.

## **VI RECOMMENDATIONS**

Trade unions have played a significant political and economic role in El Salvador's recent history and have the potential to do so more constructively in the future. The key to success, for labor as for other civil society organizations, is effective participation in the nation's economic decision-making process - both at the local level through collective bargaining and at the national level through policy formulation. USAID's program, at both the Mission and regional levels, has the potential to facilitate such participation. For example, USAID

along with the IDB have recently provided technical assistance to unions in the electrical utility sector that adopted a participatory approach toward the privatization of their employers. In order to participate effectively, however, a number of prerequisites must be present, including transparency of political and economic decision-making structures (e.g. commercial laws governing shareholder actions), institutional reforms to guarantee protection for worker interests within emerging economic structures.

## **VII. POST-PROJECT MONITORING AND FOLLOW-UP ACTIONS**

The activities under this Cooperative Agreement are being continued, on a more limited scale, under the Solidarity Center's five-year core grant from the USAID Global Bureau. The current project concentrates on specific industrial sectors and links the work in these sectors to a regional program of work focusing on the maintenance of core labor rights in the context of labor market modernization. This requires a "re-skilling" of unions to play not only their traditional part as workplace representatives but also an expanded role as civil society actors, in coalition with other non-governmental organizations, to achieve democratic and equitable economic development.

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